

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-12 ISO-00 NEA-10 PA-02 PRS-01 IO-14

L-03 H-02 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05 CEA-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9508

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USADB

PASS TREASURY

E.O. 11652: NA

TAGS: EAID, EFIN

SUBJ: PROPOSED ADB PROGRAM LENDING

REF: TREASURY 77-180

1. EXECUTIVE DIRECTORS FOR CANADA, NETHERLANDS, AND SCANDINAVIA; UK, GERMANY, AND AUSTRIA; AND JAPAN SUPPORT ADB MOVING TOWARD PROGRAM LENDING. IN THIS CONNECTION, IT WILL BE RECALLED THAT AT THE TENTH ANNUAL MEETING, THE GOVERNORS OF THE FOLLOWING COUNTRIES CALLED FOR THE BANK TO MOVE TOWARD PROGRAM LENDING: JAPAN, THE NETHERLANDS, SWEDEN, AND THE UNITED KINGDOM.

2. THE AUSTRALIAN ED HAS BEEN INSTRUCTED TO ENTER STRONG RESERVATIONS BUT RELUCTANTLY TO ACCEDE IF THE MAJORITY OF DONORS ACCEPT THE PRINCIPLE. AS MIGHT BE EXPECTED, THE VAST MAJORITY OF EDS REPRESENTING THE DEVELOPING COUNTRIES WARMLY SUPPORT THE MOST LIBERAL PROGRAM LENDING CRITERIA.
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3. DESPITE THEIR COUNTRIES' SUPPORT FOR THE PRINCIPLE OF PROGRAM LENDING, THE CANADIAN AND UK EXECUTIVE DIRECTORS CLEARLY WISH A RESTRAINED PROGRAM.

4. IT MAY BE POSSIBLE TO OBTAIN DONOR COUNTRY AGREEMENT TO THE IDEA OF AN OVERALL CEILING, ALTHOUGH THE

AUSTRALIANS FEAR THAT THERE WOULD BE A TEMPTATION TO MAKE ANY SUCH CEILING A FLOOR. IT ALSO MAY BE POSSIBLE TO REDUCE THE PAYBACK PERIOD OF THE ADF, ALTHOUGH A PERIOD OF TEN YEARS IS LIKELY TO BE DIFFICULT IF NOT IMPOSSIBLE TO ACHIEVE, E.G. THE UK STATES MINISTERIAL LEVEL POLICY IS TO MAKE SUCH CREDITS ON AS GENEROUS TERMS AS POSSIBLE AND THAT ITS OWN BILATERAL PROGRAM CREDITS ARE ON A GRANT BASIS. IN INFORMAL DISCUSSIONS WITH UK/GERMAN DIRECTOR AND OTHERS, I HAVE AGREED TO RECOMMEND TO WASHINGTON THAT WE ACCEDE TO 15 YEARS LENGTH. THE UK/GERMAN REPRESENTATIVE IN TURN IS PROPOSING TO BONN AND LONDON THAT THE TWO COUNTRIES WITHDRAW FROM THEIR PREFERRED TERM OF 40 YEARS FOR ADF LENDING FOR PROGRAM LOAN. I BELIEVE CANADA AND AUSTRALIA WILL ACCEPT A COMPROMISE. THE QUESTION OF AGREEING TO A TRIAL PERIOD OF TWO YEARS ALSO MAY BE POSSIBLE TO ACHIEVE, ALTHOUGH THE JAPANESE DIRECTOR WAS DUBIOUS HIS AUTHORITIES WOULD CONCUR.

5. I WOULD PROPOSE TO ATTEMPT IN THE BOARD TO OBTAIN LENDING CRITERIA THAT WOULD CALL FOR (A) BALANCE OF PAYMENTS DIFFICULTIES TO BE AN IMPORTANT FACTOR TO BE TAKEN INTO ACCOUNT BEFORE EXTENDING PROGRAM LOAN; (B) THAT THE BANK SHOULD ASSURE ITSELF THAT THERE ARE NO ALTERNATIVE SOURCES OF FINANCE AVAILABLE. AMONG ITEMS TO BE CONSIDERED IN THIS REGARD WOULD BE THE LEVEL OF INTERNATIONAL RESERVES OF THE COUNTRY CONCERNED, AS WELL AS ITS ACCESS TO OTHER UNCLASSIFIED

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SOURCES OF FINANCE, INCLUDING COMMERCIAL CREDITS; (C) PROGRAM LOANS SHOULD ALSO, AS FAR AS POSSIBLE, BE MADE FOR SPECIFIC PURPOSES, I.E., SPECIFIED EXPENDITURES IN CONNECTION WITH AN EXISTING PROJECT OR SECTOR AND RELATE TO HIGH PRIORITY SUPPLY OR SERVICING PROBLEMS. (D) ALL PROGRAMS SHOULD HAVE AN AVERAGE LIFE OF NO LONGER THAN 15 YEARS. (E) THE BANK SHOULD LIMIT TOTAL PROGRAM LOANS IN ANY ONE YEAR TO NOT MORE THAN A CERTAIN LIMITED PERCENTAGE OF ITS AGGREGATE LENDING (HOPEFULLY 5 PERCENT); AND NO SINGLE COUNTRY COULD OBTAIN MORE THAN 10 PERCENT OF ITS TOTAL BORROWINGS FROM THE BANK IN THE FORM OF PROGRAM LOANS IN ANY ONE YEAR; (F) AND FINALLY, THE PROGRAM BE FOR A TRIAL PERIOD OF TWO YEARS.

6. AS SO OFTEN IS THE CASE, JAPAN IS A AND, PERHAPS, THE KEY COUNTRY. ON THE BASIS OF THE UNITED STATES ED'S REQUEST, THE JAPANESE DIRECTOR HAS AGREED TO REQUEST TOKYO FOR ITS VIEWS ON THE POINTS MADE.

7. IN GOOD MEASURE DEPENDENT UPON THE ULTIMATE JAPANESE POSITION, I AM REASONABLY OPTIMISTIC THAT WE MAY BE ABLE TO OBTAIN A PROGRAM LENDING ACTIVITY IN THE ADB THAT WOULD

BE VERY LIMITED IN SCOPE.

8. PROGRAM LENDING PAPER NOW WILL BE DISCUSSED BY BOARD
ON JANUARY 26. MEANWHILE, WE HAVE ASKED FOR BANK MANAGE-
MENT'S VIEWS ON POINTS RAISED REFTEL.
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Copy: SINGLE
Sent Date: 22-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
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Status: NATIVE
Subject: PROPOSED ADB PROGRAM LENDING
TAGS: EAID, EFIN, RP, ADB
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Type: TE
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